

# **Passenger Trains on Freight Railroads — Yes, It's a Business.**

**HENRY POSNER III**  
**Chairman**

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**RDC** RAILROAD  
DEVELOPMENT  
CORPORATION

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[www.RRDC.com](http://www.RRDC.com)

**NARP Council of Representatives**  
**Grand Rapids, MI**  
**October 15, 2010**

# AGENDA

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- **Background on RDC**
- **Significant Events**
- **Conclusions**
- **Predictions**

# Background on RDC

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- **Pittsburgh-based, privately held railway investment and management company**
- **Focus: Emerging Corridors in Emerging Markets**
- **Financial structure based on Joint Ventures**

# RDC – Freight Railways

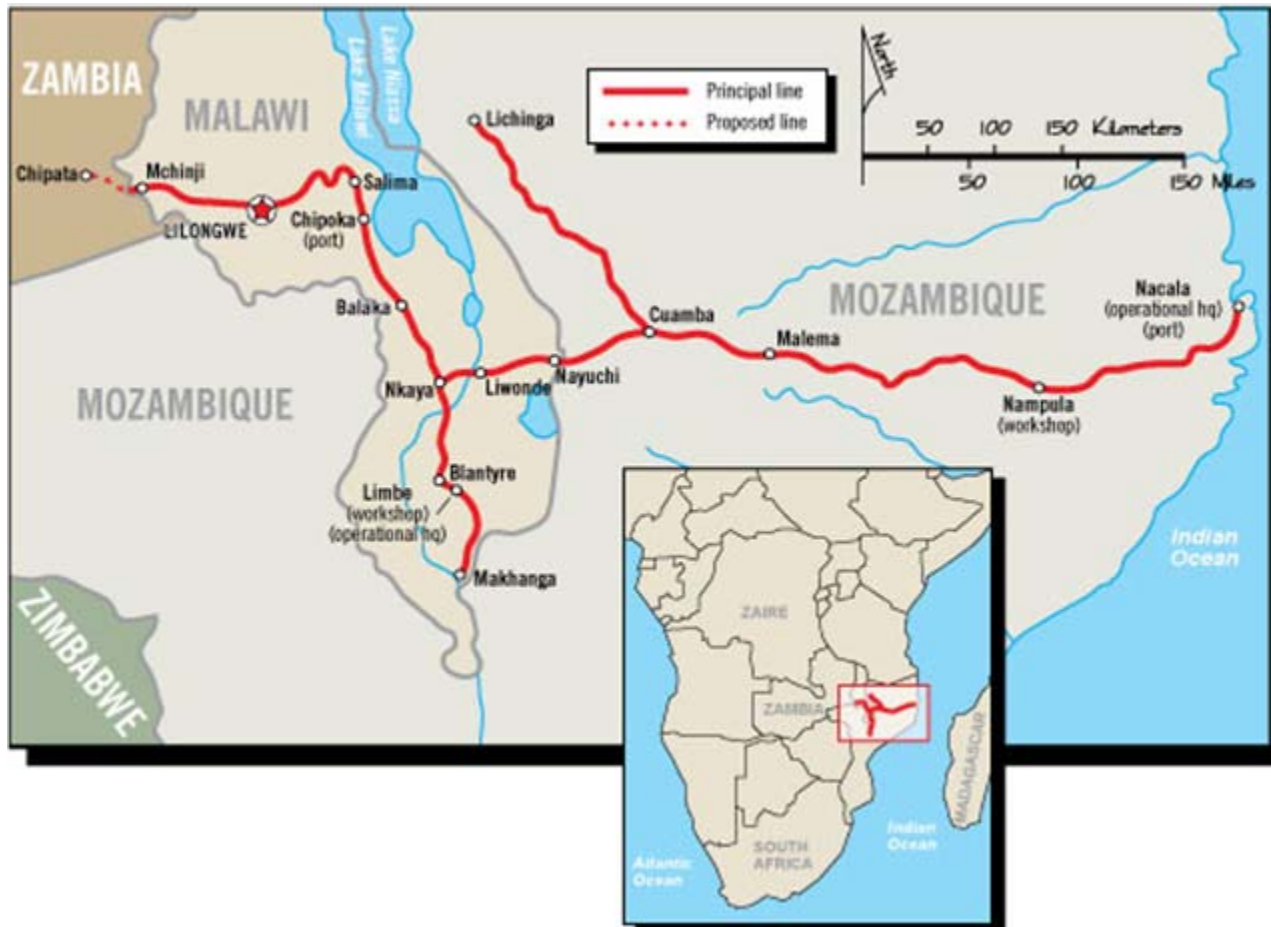
Country	Entity	Length Km (Miles)		Employees	Tons Y. 2009 (in millions)
<b>CURRENT:</b>					
USA	Iowa Interstate	954	(592)	206	11.7
Argentina	ALL Central	5,690	(3,535)	1,200	2.3
Argentina	ALL Mesopotamica	2,704	(1,680)	300	1.0
Guatemala	Ferrovias Guatemala	322	(200)	13	N/A
Peru	Ferrocarril Central Andino	535	(332)	431	1.8
<b>PAST:</b>					<b>Tons Last Yr of Investment</b>
Malawi	Central East African Railways	797	(495)	417	0.22 (2008)
Mozambique	Nacala Corridor	873	(542)	404 Rail 209 Port	0.2 Rail (2008) 0.9 Port (2008)
Estonia	Eesti Raudtee	693	(431)	2,345	44.4 (2006)

# RDC — Passenger Businesses

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- **Rail passenger service**
  - Africa
  - Peru
  
- **RDC Bus Lines, LLC**
  - **Steel City Flyer**
    - (Nov. 2008 – July 2009)
  
- **Future rail passenger service**
  - **IAIS: future Amtrak route**
  - **Germany: Hamburg-Köln Express**
    - (start-up late 2011)

# RDC Passenger Service — Africa: The Nacala Corridor



# RDC Passenger Service — Malawi

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- “Social” service in regions lacking all-weather roads
- Explicit annual subsidy



# RDC Passenger Service — Mozambique

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- “Social” service in regions lacking all-weather roads
- No subsidy, but part of overall concession



# RDC Passenger Service — Peru

- Monthly tourist operation on former “World’s Highest Railway”
- No subsidy



# RDC Passenger Service — Steel City Flyer

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- Express bus Pittsburgh/Harrisburg, “business class”
- Initiated 11/08 to connect with Amtrak high speed Keystone Corridor at Harrisburg
- No subsidy
- Discontinued 7/09 due to:
  - Inability to access Harrisburg “intermodal” rail/bus terminal
  - Flawed assumption that Highmark was interested in saving \$1 million per year/increased employee productivity



# RDC Passenger Service — Hamburg-Köln Express

- Service to begin late 2011, three roundtrips/day
- Used rolling stock purchased, to be refurbished
- “Paths” confirmed on DB main line
- No subsidy



# RDC Passenger Service — Midwest Corridor

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- Future Amtrak route Chicago-Iowa City...
- ...using formerly-abandoned Rock Island main line



# Significant Events

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**1987** ⇒ **Formation of Tri Rail**

- **Sale of Right Of Way and**
- **Domestic Contract Operator**

**1987-2010** ⇒ **Emergence of commuter rail operations by 3rd Parties**

**2009** ⇒ **Obama focus on High Speed Rail**

**2010** ⇒ **Keolis: Virginia Rail Express Contract**

- **Foreign Contract Operator**
- **High profile conflict but reflects evolution, not revolution**

# Conclusions (descending priority)

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1. **Healthy freight railroads are a fundamental for passenger service**
2. **Passenger is a business**
3. **Multiple operators are already established (Veolia, Keolis, Kershaw)**
4. **Liability is a challenge, but not an impossible one;  
Example: Amtrak as Franchise Authority, including insurance**
5. **Diversity of operators is healthy (just like Class 1s, Short Lines)**

# Predictions

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- **“Private” operators on regional passenger service; Examples:**
  - BNSF (or IAIS) operation of Quad Cities passenger service
  - Modified commuter equipment
  - “The Devil You Know”: Amtrak vs. self-operation vs. 3<sup>rd</sup> parties
  
- **Controversy over:**
  - Role of the private sector
  - Definition of “private sector”
  - Cultural impact on freight railroads’:
    - Tradition of Public Service
    - Well Developed Safety Culture